

**John Ensign, Chairman**  
Pamela Thiessen, Staff Director



347 Russell Senate Office Building  
Washington, DC 20510  
202-224-2946  
<http://rpc.senate.gov>

## U.S. SENATE REPUBLICAN POLICY COMMITTEE

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# **Democrats' Spending Expansion Bill Dramatically Increases Federal Role in Education**

### *Executive Summary*

- S. 336, the Democrats' economic stimulus bill, contains approximately \$142 billion in federal funding for education-related purposes.
- The bill would dramatically increase the federal role in education and limit the options of local policy makers.
- States currently have more than \$5 billion in unspent federal education funds. They should be required to spend those funds before more are provided.
- The education provisions in the Democrats' stimulus bill are nothing more than a longstanding liberal wish list that gives little consideration to what is actually in the best interest of students.
- Massive increases in federal education spending are not tied to reforms of the education system and do not help ensure that students are better prepared to compete in a 21<sup>st</sup> century economy.
- S. 336 could actually reduce the ability of students to pay for college.
- The majority of the education-related provisions in S. 336 would not actually stimulate the economy.
- The education funding in S. 336 is likely to be permanent and would establish a new baseline for education funding. This will allow Democrats to continue to make the argument that federal education programs are "underfunded" and serve as a justification for spending more and more taxpayer money on unnecessary programs each year.
- S. 336 would create new "green" school construction programs which ignore the fact that school construction is a state and local responsibility.
- S. 336 creates burdensome requirements for individual schools, districts and states which take the focus away from the critical work of educating students.

## **Introduction**

The federal government currently spends \$68.6 billion a year on K-12 and postsecondary education.

Of an estimated \$1 trillion being spent nationwide on education at all levels for school year 2007-2008, a substantial majority will come from state, local, and private sources. This is especially true at the elementary and secondary level, where just over 91% of the funds come from non-federal sources. The federal role in education is limited; therefore our contribution to elementary and secondary education is currently a little under 9%.

Republicans have consistently advocated for a limited federal role in education because it allows local leaders who are closest to the needs of families and communities to make decisions about how to best educate students.

The Democrats' economic stimulus proposal would dramatically increase the federal role in education and more than double the current budget of the U.S. Department of Education.

## **Summary of Education Provisions in S. 336**

The Democrats' stimulus bill provides approximately \$142 billion in education related funding. The following is a summary of the major education provisions in the bill:

- \$79 billion for a State Fiscal Stabilization Fund to restore state funding for elementary, secondary, and post secondary education to fiscal year 2008 levels;
- \$16 billion for a new K-12 “green” school construction program to renovate, repair and construct schools. It includes a 2% set aside for Impact Aid construction;
- \$13.9 billion to increase the maximum Pell Grant by \$281 in 2009-2010 and \$400 in 2010-2011;
- \$13.5 billion for the Individuals with Disabilities Education Act, with \$13 billion used for Part B and \$500 million for Part C. This would bring the estimated federal contribution to the excess cost of educating children with disabilities to 37.6% of the 40% commitment;<sup>1</sup>
- \$13 billion for Title I, Part A to supplement the educational needs of poor children, with \$2 billion used for school improvement grants to states to help underperforming schools. 15% of funds must also be used for pre-K activities;
- \$3.5 billion for modernization, renovation, and repair of public institutions of higher education, which includes allowing funds to be used for leasing, purchasing or upgrading equipment;

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<sup>1</sup> Congressional Research Service, available at <http://apps.crs.gov/products/r/pdf/R40151.pdf>

- \$1.1 billion for Early Head Start;
- \$1 billion for Head Start;
- \$1 billion for education technology;
- \$610 million for Vocational Rehabilitation Services, which support services designed to help individuals with disabilities prepare for and engage in gainful employment;
- \$100 million for Teacher Quality Partnership Grants to improve prospective teacher training and recruitment under the Higher Education Act;
- \$70 million for the education of homeless students under the McKinney-Vento Homeless Assistance Act;
- \$61 million for Perkins Loans under the Higher Education Act; and
- \$4 million for the Office of the Inspector General;
- The bill modifies the Hope tax credit to allow for an “American opportunity tax credit” of up to \$2,500 per eligible student per year for qualified tuition and related expenses paid for each of the first four years of the student’s post-secondary education in a degree or certificate program.
- The bill temporarily allows computers to qualify as a higher education expense for prepaid tuition or college savings accounts, also known as Section 529 qualified tuition programs.
- The bill creates a new category of tax-credit bonds called “qualified school construction bonds” to help finance school construction and renovation. A national limitation of \$5 billion for each of calendar years 2009 and 2010 is included.
- The bill authorizes the issuance of \$1.4 billion of Qualified Zone Academy Bonds (QZAB) in both 2009 and 2010. QZABs are tax credit bonds that help to finance school renovation (construction is prohibited), equipment, teacher training, and course materials in economically disadvantaged communities located in an empowerment zone or enterprise community.

## **Specific Concerns about the Education Provisions in the Democrats' Stimulus Bill**

### ***Funding is Not Targeted or Temporary***

On January 11, 2009, Senate Majority Leader Harry Reid of Nevada and Speaker Nancy Pelosi sent a letter to then-President Bush stating that prominent economists agree that effective economic stimulus policies must be “timely, targeted, and temporary.”<sup>2</sup> Republicans believe we must act both quickly and thoughtfully; however, we are concerned that the education provisions in the stimulus bill are decidedly not targeted or temporary. They focus on more than ten existing education related programs and create several new ones. In addition, they do not maintain the long-standing federal focus on serving the students most in need.

One of the major concerns about the education provisions in the stimulus is that they will become permanent and the federal government will be expected to continue to contribute artificially high levels of funding for education. In fact, education lobbyists have commented publicly that they believe this funding is only the beginning. According to one such lobbyist, “We’ve been given some assurances by the appropriations staff that the so called ‘surge’ is not a one shot deal. They recognize that they cannot cut these programs ... in the third year.”<sup>3</sup>

### ***Education Provisions Don’t Actually Stimulate the Economy***

The Democrats’ stimulus bill contains funding for a variety of education programs, most of which would not stimulate the economy. In an analysis of the House version of the bill the *Washington Post* determined that, “Helping hire, equip and pay police, a \$4 billion item under the bill, might be a good idea, but writing checks to individual households for the same amount would do more to stimulate the economy. Ditto for \$16 billion in Pell Grants for college students, \$2.1 billion for Head Start and \$50 million for the National Endowment for the Arts. All of those ideas may have merit, but why do they belong in an emergency measure aimed to kick-start the economy? ... “[G]iven their cost, and the inherent difficulty of forecasting their impact, Congress should vet them through the normal legislative process, weigh them against other priorities and pay for them.”<sup>4</sup>

### ***Does Not Tie Increased Funding to Real Reforms***

The Democrats’ stimulus bill more than doubles funding for the U.S. Department of Education, but none of that funding is tied to reforms. Congress should not be expanding the federal role in education and expending such vast sums of money. It leads to a top down approach to education and limits the ability of local communities to determine what is best for their students. If we choose to spend more federal funds, however, that funding should be focused on reform. According to the *Washington Post*, “Congress will not be getting its money's worth unless it

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<sup>2</sup> Press release from Senator Harry Reid, available at [http://www.reid.senate.gov/newsroom/pr\\_011108\\_fiscal.cfm](http://www.reid.senate.gov/newsroom/pr_011108_fiscal.cfm)

<sup>3</sup> *Education Daily*, January 23, 2009

<sup>4</sup> *Washington Post*, Editorial, “Priming the Pump,” January 25, 2009.

insists on real reforms in what students are expected to learn and how teachers are compensated.”<sup>5</sup>

### ***Delays Difficult Decisions about Education Funding in a Changing Economy***

Most school districts rely heavily on property taxes to fund schools. In fact, nearly half of all property tax revenue is used for public elementary and secondary education.<sup>6</sup> Declining housing values have resulted in tough decisions about how to prioritize education spending. The Democrats’ economic stimulus bill does not solve this problem, nor should it. What it does, however, is allow states and localities to put off making difficult but necessary decisions about how to fulfill their responsibility to fund education. According to Rick Hess at the American Enterprise Institute, “It’s like an alcoholic at the end of the night when the bars close, and the solution is to open the bar for another hour.”<sup>7</sup>

States and local school districts must make realistic decisions on how to fund education within the constraints of their individual budgets. The federal government should not play the role of “big brother” and attempt to shield states and districts from the difficult decisions that come with changing economic times.

### ***Leaves Students Unable to Complete College***

By artificially inflating the value of the Pell Grant for two years, students who benefit from the increase will be left with a gap in their financial aid packages in the third year. These students may then be unable or unwilling to borrow large sums of money to make up the funds their Pell Grants would have provided. Creating temporary increases in student financial aid creates unrealistic expectations of continued federal support and makes it increasingly difficult for families to budget for college.

### ***Allows States to Shortchange Spending on Education***

Rather than helping states maintain funding for education, the Senate version of the Democrats’ stimulus bill actually allows for states to decrease funding for education and replace state funds with federal dollars under the State Fiscal Stabilization Fund. By allowing critical provisions of the Elementary and Secondary Education Act to be waived, the Senate stimulus bill allows states to shortchange education funding and creates an expectation that increased federal funding must be maintained in order to prevent state shortfalls.

### ***Contains Unprecedented New “Green” School Construction***

The Democrats’ stimulus bill dramatically expands the federal government’s role in education by creating a “green” school construction program. This \$16 billion proposal revives the New Deal tradition of federal support for what has traditionally been a state and local responsibility.

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<sup>5</sup> *Washington Post*, Editorial, “An Education Stimulus,” January 29, 2009.

<sup>6</sup> The Property Tax-School Funding Dilemma, Lincoln Institute of Land Policy, available at <http://www.lincolninst.edu/pubs/PubDetail.aspx?pubid=1308>

<sup>7</sup> *New York Times*, “Stimulus Plan Would Provide Flood of Aid to Education,” January 28, 2009

Republicans successfully defeated proposed expansions of federally funded school construction during the Clinton Administration<sup>8</sup>. This sweeping expansion, along with many other provisions in the Democrats' stimulus bill, signals an ever increasing federal role in education with no focus on improving outcomes for students.

### ***Ignores the Fact that States Currently Have Billions of Dollars in Unspent Federal Education Funding***

States currently have more than \$5 billion in unspent education funding.<sup>9</sup> This funding, which was provided between 2003 and 2007, illustrates the fact that states do not have mechanisms in place that allow them to spend federal money quickly. If the vast influx of funds in the Democrats' stimulus bill is provided it is highly unlikely that states will be able to spend it in the timeframes that are outlined.

If Democrats want to provide additional funding for education to stimulate the economy they should grant states the flexibility to use unspent federal money in ways that benefit their students the most.

### ***Contains Overly Burdensome Reporting Requirements***

The Democrats' economic stimulus bill would require reporting on per pupil spending at the individual school level. This level of detail is unprecedented and would create a significant burden on schools, districts and states. It is also indicative of the Democrats' desire to expand the federal role in education by compiling as much data as possible on individual school funding.

### ***Does Not Contain Funding for Programs that Support Performance Pay for Teachers and Charter Schools***

While the Democrats' stimulus bill contains billions of dollars in education funding, the Senate version of the bill does not contain provisions to fund programs to support performance pay for teachers and charter schools. Despite the fact that the House legislation contains funding for the Teacher Incentive Fund and the Charter School Credit Enhancement, the Senate version does not.

While Republicans would prefer a stimulus bill that is more targeted, if supports are being provided for education they should not exclude programs that promote high quality teachers and allow more students to have access to charter schools.

## **Provisions in the House Stimulus Bill to be Aware of**

The House version of the "green" construction program has several provisions that could be extremely burdensome to schools, districts, and states. For example, the bill requires states to

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<sup>8</sup> See Feinstein amendment No. 358 to S. 1 in the 107<sup>th</sup> Congress, available at <http://www.congress.gov/cgi-bin/bdquery/D?d111,d110,d107:37:./temp/~bdBC6J:ds=y:/billsumm/billsumm.php?id=1>

<sup>9</sup> U.S. Department of Education, January 5, 2009.

develop a database that inventories all public school facilities, including the “carbon footprint” of all schools. It also requires states to report miniscule details of construction projects, including the type of flooring installed and if that flooring was made from “sustainable materials.”

The House version of the Democrats’ stimulus bill would also allow the cost of school construction to be artificially inflated by requiring the use of U.S.-produced steel. According to this bill, a school that should have cost the taxpayers \$10 million could actually cost \$12.5 million in an effort to support U.S. steel producers.

## **Conclusion**

The education provisions in the Democrats’ stimulus bill are more focused on expanding the federal role in education and funding the Democrats’ wish list of education programs.

This bill will create a new baseline for education funding that will allow the Democrats to continue to make the argument that federal education laws are “underfunded.” It also creates tremendously burdensome requirements that will hamper the ability of local school districts to respond to the needs of students. Finally, it will allow states and school districts to cut back on their commitment to support education and take control away from local communities when it comes to how to best support our nation’s students.